

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF DUKE ENERGY KENTUCKY, INC.)
FOR A CERTIFICATE OF PUBLIC CONVENIENCE)
AND NECESSITY AUTHORIZING THE)
IMPLEMENTATION OF AN ACCELERATED)
SERVICE LINE REPLACEMENT PROGRAM,)
APPROVAL OF OWNERSHIP OF SERVICE LINES,)
AND A GAS PIPELINE REPLACEMENT)
SURCHARGE)

CASE NO.
2015-000210

NOTICE OF FILING

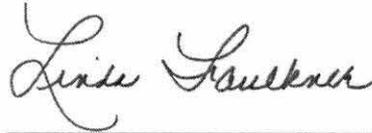
Notice is given to all parties that the following materials have been filed into the record of this proceeding:

- The digital video recording of the evidentiary hearing conducted on January 19, 2016 in this proceeding;
- Certification of the accuracy and correctness of the digital video recording;
- All exhibits introduced at the evidentiary hearing conducted on January 19, 2016 in this proceeding;
- A written log listing, *inter alia*, the date and time of where each witness' testimony begins and ends on the digital video recording of the evidentiary hearing conducted on January 19, 2016.

A copy of this Notice, the certification of the digital video record, hearing log, and exhibits have been electronically served upon all persons listed at the end of this Notice. Parties desiring an electronic copy of the digital video recording of the hearing in Windows Media format may download a copy at: http://psc.ky.gov/av_broadcast/2015-

00210/2015-00210 19Jan16 Inter.asx. Parties wishing an annotated digital video recording may submit a written request by electronic mail to pscfilings@ky.gov. A minimal fee will be assessed for a copy of this recording.

Done at Frankfort, Kentucky, this 21st day of January 2016.

A handwritten signature in cursive script that reads "Linda Faulkner".

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Director, Filings Division
Public Service Commission of Kentucky

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COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

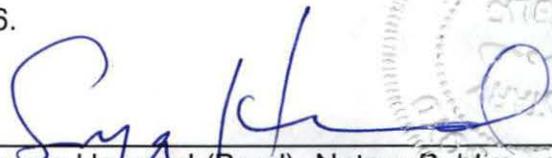
APPLICATION OF DUKE ENERGY KENTUCKY,)
INC. FOR A CERTIFICATE OF PUBLIC)
CONVENIENCE AND NECESSITY)
AUTHORIZING THE IMPLEMENTATION OF AN) CASE NO. 2015-00210
ACCELERATED SERVICE LINE REPLACEMENT)
PROGRAM, APPROVAL OF OWNERSHIP OF)
SERVICE LINES, AND A GAS PIPELINE)
REPLACEMENT SURCHARGE)

CERTIFICATE

I, Sonya Harward, hereby certify that:

1. The attached DVD contains a digital recording of the Hearing conducted in the above-styled proceeding on January 19, 2016. Hearing Log, Exhibits, Exhibit List, and Witness List are included with the recording on January 19, 2016.
2. I am responsible for the preparation of the digital recording.
3. The digital recording accurately and correctly depicts the Hearing of January 19, 2016.
4. The Exhibit List attached to this Certificate correctly lists all Exhibits introduced at the Hearing of January 19, 2016.
5. The Hearing Log attached to this Certificate accurately and correctly states the events that occurred at the Hearing of January 19, 2016 and the time at which each occurred.

Given this 19th day of January, 2016.


Sonya Harward (Boyd), Notary Public
State at Large
My commission expires: August 27, 2017





Date:	Type:	Location:	Department:
1/19/2016	Other	Public Service Commission	Hearing Room 1 (HR 1)

Judge: Jim Gardner; Dan Logsdon; Roger Thomas
 Witness: John A. Hill, Jr. - Duke Energy Kentucky; William Don Wathen, Jr. - Duke Energy Kentucky
 Clerk: Sonya Harward

Event Time	Log Event
8:50:35 AM	Session Started
8:50:38 AM	Session Paused
8:57:24 AM	Session Resumed
8:57:25 AM	Chairman Jim Gardner - Introduces the Case and Other Commissioners Note: Harward, Sonya Vice Chairman Dan Logsdon, and Commissioner Roger Thomas
8:57:57 AM	Introduction - Atty. Rocco D'Ascenzo - Duke Energy Kentucky ("Duke")
8:58:12 AM	Introduction - Attorneys Larry Cook and Rebecca Goodman - Office of the Attorney General
8:58:27 AM	Introduction - Attorney Virginia Gregg - PSC Staff
8:58:33 AM	Public Notice Given Note: Harward, Sonya One affidavit still to be filed in the record when it has been received.
8:58:56 AM	No Outstanding Motions
8:59:02 AM	No Public Comments
8:59:13 AM	Witness John A. Hill, Jr. takes the stand and is sworn in. Note: Harward, Sonya Duke Energy Kentucky, Director of Engineering for Gas Operations
9:00:00 AM	Atty. D'Ascenzo Direct Exam of Witness Hill Note: Harward, Sonya Adopts testimony and data responses.
9:00:33 AM	Atty. Gregg Cross Exam of Witness Hill
9:01:27 AM	Atty. Gregg to Witness Hill Note: Harward, Sonya Asking Witness to explain the type of code violation that Duke believes will be covered under the proposed ASRP as it is right now in the Stipulation.
9:03:07 AM	Atty. Gregg to Witness Hill Note: Harward, Sonya Asking if a curb-to-meter service line is determined to be eligible for recovery under the ASRP, does that indicate that a code violation exists.
9:04:19 AM	Atty. Gregg to Witness Hill Note: Harward, Sonya Asking Witness if he's aware of any code violation that could occur regarding the location of the meter itself being inside the house.
9:05:06 AM	Vice Chairman Logsdon Cross Exam of Witness Hill Note: Harward, Sonya Asking if it is 25 percent of the meters that will be replaced.
9:05:43 AM	Vice Chairman Logsdon Cross Exam of Witness Hill Note: Harward, Sonya Asking if the codes are FEMSA violations.
9:06:27 AM	Commissioner Thomas Cross Exam of Witness Hill Note: Harward, Sonya Referencing the Stipulation, p. 3, section A, line 3, asking for clarification to see if it should say ". . . Rider ASRP."
9:07:04 AM	Chairman Gardner Cross Exam of Witness Hill Note: Harward, Sonya Asking for number of gas customers Duke has, and which will have meter replacements.
9:09:24 AM	Witness Hill dismissed from the stand.
9:09:36 AM	Witness William Don Wathen, Jr. takes the stand and is sworn in. Note: Harward, Sonya Duke Energy Kentucky, Director of Rates and Regulator Strategy

9:10:31 AM	Atty. D'Ascenzo Direct Exam of Witness Wathen Note: Harward, Sonya	Adopts testimony and data responses.
9:11:04 AM	Atty. Gregg Cross Exam of Witness Wathen	
9:11:18 AM	PSC - Exhibit 1, Exhibit 2, and Exhibit 3 Note: Harward, Sonya	PSC Exhibit 1, Attachment PAL-2 and Revised Attachment PAL-2; PSC Exhibit 2, Attachment PAL-1, p. 5, and Revised Attachment PAL-1, p. 5; PSC Exhibit 3, Attachment PAL-1, p. 7, and Revised Attachment PAL-1, p. 7.
9:11:45 AM	Atty. Gregg to Witness Wathen Note: Harward, Sonya	Referencing the Commissions's August 15, 2015 Order that suspended Duke's ASRP, and asking about placing rates into affect before the Commission's approval.
9:12:41 AM	Atty. Gregg to Witness Wathen Note: Harward, Sonya	Referring to the Stipulation, last page, Revised Attachment PAL-2, Proposed Rider ASRP.
9:14:16 AM	Atty. Gregg to Witness Wathen Note: Harward, Sonya	Referring to PSC - Exhibit 1 to this Hearing, Attachment PAL-2 and Revised Attachment PAL-2, and asking about the differences between the two documents.
9:14:50 AM	Atty. Gregg to Witness Wathen Note: Harward, Sonya	Asking Witness if Revised Attachment PAL-2, under Calculation of Accelerated Service Replacement Rider Revenue Requirement, Items c. and f., has information that needs to be changed.
9:16:25 AM	Atty. Gregg to Witness Wathen Note: Harward, Sonya	Asking Witness if there are any other changes between Attachment PAL-2 and Revised Attachment PAL-2.
9:18:25 AM	Atty. Gregg to Witness Wathen Note: Harward, Sonya	Asking whether a balancing adjustment was considered in the ASRP in the event there was an over- or under-recovery in the program cost.
9:19:45 AM	Atty. Gregg to Witness Wathen Note: Harward, Sonya	Referencing Witness's Supplemental Testimony, p. 10, regarding revising the intended filing schedule.
9:21:10 AM	Atty. Gregg to Witness Wathen Note: Harward, Sonya	Referring to PSC - Exhibit 2 to this Hearing, Attachment PAL-1, p. 5, and Revised Attachment PAL-1, p. 5, regarding the change from 2.59 percent for service lines and 2.3 percent for meter installations to 2.8 percent for both.
9:23:24 AM	Atty. Gregg to Witness Wathen Note: Harward, Sonya	Referring to PSC - Exhibit 3 to this Hearing, Attachment PAL-1, p. 7, and Revised Attachment PAL-1, p. 7, regarding the change in the ASRP Capex-2016 from \$5 million to \$7.5 million.
9:25:14 AM	Atty. Gregg to Witness Wathen Note: Harward, Sonya	Referencing Duke's response to Staff's Second Request for Information, Item 7, regarding Duke Kentucky's willingness to still make language changes as stated in this response.
9:27:59 AM	Vice Chairman Logsdon Cross Exam of Witness Wathen Note: Harward, Sonya	Referencing Witness's Supplemental Testimony, pp. 6-7, regarding how the 25 percent was calculated.
9:29:40 AM	Vice Chairman Logsdon to Witness Wathen Note: Harward, Sonya	Asking whether the meter will be still replaced from the curb to the house even if the meter does not need to be replaced inside the house.
9:30:28 AM	Commissioner Thomas Cross Exam of Witness Wathen Note: Harward, Sonya	Referencing the Stipulation, p. 3, regarding adding the word Rider in front of ASRP.

9:31:16 AM	Commissioner Thomas to Witness Wathen Note: Harward, Sonya	Asking about the total number of meters inside the home, and the Application stating that Duke has 3,500 meters.
9:32:16 AM	Chairman Gardner Cross Exam of Witn Note: Harward, Sonya	Referring to PSC - Exhibit 1 to this Heaing, Attachment PAL-2, regarding the rate change.
9:33:09 AM	Atty. D'Ascenzo Re-Direct Exam of Witness Wathen Note: Harward, Sonya	Referencing the Application, p. 18, paragraph 43, regarding the true-up provision asked about earlier.
9:34:55 AM	Atty. D'Ascenzo to Witness Wathen Note: Harward, Sonya	Asking if Duke were to change the number of meters it was going to change on an annual basis, would the company continue to manage those replacement meters in relation to the stipulated annual cap on the rate.
9:35:54 AM	Witness Wathen dismissed from the stand.	
9:36:08 AM	Witness Hill returns to the stand, still under oath.	
9:36:21 AM	Atty. Gregg Re-Cross Exam of Witness Hill Note: Harward, Sonya	Asking about replacement of meters for years 1 through 5.
9:37:50 AM	Atty. Cook Request for Break	
9:38:11 AM	Break in Hearing	
9:38:24 AM	Session Paused	
9:40:35 AM	Session Resumed	
9:40:46 AM	Atty. Gregg - Requested Information Due Note: Harward, Sonya	An errata sheet will be done on the Stipulation regarding the addition to the word "Rider" on one of the pages and the other changes to the tariff regarding the ROE, all of which are due by Friday, Jan. 22, 2016.
9:42:01 AM	Chairman Gardner - Swearing to Stipulation Note: Harward, Sonya	Parties to the Stipulation stood and were sworn to the Stipulation. Parties that stood were Atty. Cook, Atty. D'Ascenzo, Mr. Wathen, and Mr. Hill.
9:43:08 AM	Hearing Adjourned	
9:43:17 AM	Session Paused	
10:07:02 AM	Session Ended	

Name:	Description:
PSC - Exhibit 1	Attachment PAL-2 and Revised Attachment PAL-2
PSC - Exhibit 2	Attachment PAL-1, p. 5, and Revised Attachment PAL-1, p. 5
PSC - Exhibit 3	Attachment PAL-1, p. 7, and Revised Attachment PAL-1, p. 7

Duke Energy Kentucky, Inc.
4580 Olympic Blvd.
Erlanger, Kentucky 41018

Ky. P.S.C. Gas No. 5
Original Sheet No. 63
Page 1 of 1

RIDER ASRP

ACCELERATED SERVICE REPLACEMENT PROGRAM RIDER

APPLICABILITY

Applicable to all customers receiving service under the Company's sales and transportation rate schedules.

CALCULATION OF ACCELERATED SERVICE REPLACEMENT RIDER REVENUE REQUIREMENT

The ASRP Rider revenue requirement includes the following:

- a. ASRP-related Plant In-Service not included in base gas rates minus the associated ASRP-related accumulated depreciation and accumulated deferred income taxes;
- b. Retirement and removal of plant related to ASRP construction;
- c. The rate of return on the net rate base is the overall rate of return on capital authorized in the Company's latest base gas rate case, grossed up for federal and state income taxes;
- d. Depreciation expense on the ASRP-related Plant In-Service less retirements and removals;
- e. Property taxes related to ASRP and;
- f. Operation and Maintenance Costs for relocation of meters.

ACCELERATED SERVICE REPLACEMENT PROGRAM FACTORS

All customers receiving service under Rate RS and Rate GS shall be assessed a separate monthly charge that will enable the Company to complete the service replacement program. This monthly charge is in addition to the Customer Charge component of their applicable rate schedule, as well as any other applicable monthly charges. Customers receiving service under Rate DGS, Rate FT-L, Rate IT and Rate SSIT will be assessed a separate throughput charge in addition to their commodity delivery charge, for that purpose.

Rider ASRP will be updated annually, in order to reflect the impact on the Company's revenue requirements of net plant additions and by operations and maintenance expense during the most recent twelve months ended December. Such adjustments to the Rider will become effective with the first billing cycle of January, and will reflect the allocation of the required revenue increase based on the revenue distribution approved by the Commission.

The charges for the respective gas service schedules for the revenue month beginning January 2016 is:

Rate RS, Residential Service	\$0.39/month
Rate GS, General Service	\$0.38/month
Rate DGS, Distributed Generation Service	\$0.00009/CCF
Rate FT-L, Firm Transportation Service – Large	\$0.00009/CCF
Rate IT, Interruptible Transportation Service	\$0.00009/CCF
Rate SSIT, Spark Spread Interruptible Transportation Rate	\$0.00009/CCF

Issued by authority of an Order of the Kentucky Public Service Commission dated ____ in Case No. 2015-

Issued: _____
Effective: August 6, 2015
Issued by James P. Henning, President

Duke Energy Kentucky, Inc.
4580 Olympic Blvd.
Erlanger, Kentucky 41018

Ky. P.S.C. Gas No. 5
Original Sheet No. 63
Page 1 of 1

RIDER ASRP

ACCELERATED SERVICE REPLACEMENT PROGRAM RIDER

APPLICABILITY

Applicable to all customers receiving service under the Company's sales and transportation rate schedules.

CALCULATION OF ACCELERATED SERVICE REPLACEMENT RIDER REVENUE REQUIREMENT

The ASRP Rider revenue requirement includes the following:

- a. ASRP-related Plant In-Service not included in base gas rates minus the associated ASRP-related accumulated depreciation and accumulated deferred income taxes;
- b. Retirement and removal of plant related to ASRP construction;
- c. The rate of return on the net rate base is the overall rate of return on capital authorized in the Company's latest base gas rate case, grossed up for federal and state income taxes;
- d. Depreciation expense on the ASRP-related Plant In-Service less retirements and removals;
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Rider ASRP will be updated annually, in order to reflect the impact on the Company's revenue requirements of net plant additions and by operations and maintenance expense during the most recent twelve months ended December. Such adjustments to the Rider will become effective with the first billing cycle of January, and will reflect the allocation of the required revenue increase based on the revenue distribution approved by the Commission.

The charges for the respective gas service schedules for the revenue month beginning January 2016 is:

Rate RS, Residential Service	\$0.35/month
Rate GS, General Service	\$0.35/month
Rate DGS, Distributed Generation Service	\$0.00008/CCF
Rate FT-L, Firm Transportation Service – Large	\$0.00008/CCF
Rate IT, Interruptible Transportation Service	\$0.00008/CCF
Rate SSIT, Spark Spread Interruptible Transportation Rate	\$0.00008/CCF

Issued by authority of an Order of the Kentucky Public Service Commission dated ____ in Case No. 2015-

Issued: _____
Effective: February 2, 2016
Issued by James P. Henning, President

Duke Energy Kentucky
Annual Adjustment to the Accelerated Services Replacement Program ("ASRP")
Additions and Retirements

<u>Line No.</u>	<u>Description</u> (1)	<u>Acct Number</u> (2)	<u>2016 Additions & Retirements</u> (3)	<u>Depr Rates</u> (4)	<u>Current Year Depr on Adds / (Ret.)</u> (5) = (3) * (4)
<u>Additions</u>					
1	Service Lines	380	2,165,383	2.59%	56,083
2	Meter Installations	382	-	2.39%	-
3	Total Additions		2,165,383		56,083
<u>Retirements</u>					
4	Service Lines	380	(200,878)	2.59%	(5,203)
5	Meter Installations	382	-	2.39%	-
6	Total Retirements		(200,878)		(5,203)
7	Total Plant In Service		1,964,505		50,880
<u>Cost of Removal</u>					
8	Service Lines	380			
9	Total Cost of removal				

Notes:

(1) See Form 2.2 for detail of 2016 ASRP eligible additions.

Duke Energy Kentucky
Annual Adjustment to the Accelerated Services Replacement Program ("ASRP")
Additions and Retirements

<u>Line No.</u>	<u>Description</u> (1)	<u>Acct Number</u> (2)	<u>2016 Additions & Retirements</u> (3)	<u>Depr Rates</u> (4)	<u>Current Year Depr on Adds / (Ret.)</u> (5) = (3) * (4)
<u>Additions</u>					
1	Service Lines	380	3,038,463	2.80%	85,077
2	Meter Installations	382	-		-
3	Total Additions		<u>3,038,463</u>		<u>85,077</u>
<u>Retirements</u>					
4	Service Lines	380	(281,872)	2.80%	(7,892)
5	Meter Installations	382	-		-
6	Total Retirements		<u>(281,872)</u>		<u>(7,892)</u>
7	<u>Total Plant In Service</u>		<u>2,756,591</u>		<u>77,185</u>
<u>Cost of Removal</u>					
8	Service Lines	380			
9	Total Cost of removal		-		

Notes:

(1) See Form 2.2 for detail of 2016 ASRP eligible additions.

**Duke Energy Kentucky
Annual Adjustment to the Accelerated Services Replacement Program ("ASRP")
Thirteen Month Average Additions and Retirements**

Test Year 12/31/16 ASRP Investment Summary

<u>Line No.</u>	<u>Month</u> (A)	<u>Number of</u> <u>Months</u>	<u>ASRP Capex-2016</u> (C)	<u>13 Mo. AVG</u> (D) = (B/13)*(C)	<u>Retirements</u> (E)	<u>13 Mo. AVG</u> (F) = (B/13)*(E)	<u>Cost of Removal</u>	<u>Depreciation</u> <u>Expense (1)</u>
		(B)			(E)			
1	Jan-16	12	-	-	-	-	-	-
2	Feb-16	11	-	-	-	-	-	-
3	Mar-16	10	50,000	38,462	-4,638	(3,568)	-	-
4	Apr-16	9	250,000	173,077	-23,192	(16,056)	-	-
5	May-16	8	500,000	307,692	-46,384	(28,544)	-	-
6	Jun-16	7	750,000	403,846	-69,576	(37,464)	-	-
7	Jul-16	6	1,000,000	461,538	-92,768	(42,816)	-	-
8	Aug-16	5	1,000,000	384,615	-92,768	(35,680)	-	-
9	Sep-16	4	1,000,000	307,692	-92,768	(28,544)	-	-
10	Oct-16	3	250,000	57,692	-23,192	(5,352)	-	-
11	Nov-16	2	200,000	30,769	-18,554	(2,854)	-	-
12	Dec-16	1	-	-	0	-	-	-
			<u>5,000,000</u>	<u>2,165,383</u>	<u>(463,840)</u>	<u>(200,878)</u>	-	-

Notes:

(1) Year-to-date net depreciable plant multiplied by applicable depreciation rate

Duke Energy Kentucky
Annual Adjustment to the Accelerated Services Replacement Program ("ASRP")
Thirteen Month Average Additions and Retirements

Test Year 12/31/16 ASRP Investment Summary

<u>Line No.</u>	<u>Month</u> (A)	<u>Number of</u> <u>Months</u> (B)	<u>ASRP Capex-2016</u> (C)	<u>13 Mo. AVG</u> (D) = (B/13)*(C)	<u>Retirements</u> (E)	<u>13 Mo. AVG</u> (F)= (B/13)*(E)	<u>Cost of Removal</u>
1	Dec-15	13		-		-	
2	Jan-16	12	-	-		-	
3	Feb-16	11	-	-		-	
4	Mar-16	10	125,000	96,154	-11,596	(8,920)	
5	Apr-16	9	500,000	346,154	-46,384	(32,112)	
6	May-16	8	875,000	538,462	-81,172	(49,952)	
7	Jun-16	7	1,000,000	538,462	-92,768	(49,952)	
8	Jul-16	6	1,125,000	519,231	-104,364	(48,168)	
9	Aug-16	5	1,000,000	384,615	-92,768	(35,680)	
10	Sep-16	4	1,000,000	307,692	-92,768	(28,544)	
11	Oct-16	3	750,000	173,077	-69,576	(16,056)	
12	Nov-16	2	625,000	96,154	-57,980	(8,920)	
13	Dec-16	1	500,000	38,462	-46,384	(3,568)	
			7,500,000	3,038,463	(695,760)	(281,872)	-

**COMMONWEALTH OF KENTUCKY
BEFORE THE
KENTUCKY PUBLIC SERVICE COMMISSION**

In the Matter of:

The Application of Duke Energy Kentucky,)
Inc., for a Certificate of Public)
Convenience and Necessity Authorizing)
the Implementation of an Accelerated)
Service Line Replacement Program,) Case No. 2015-00210
Approval of Ownership of Service Lines,)
and a Gas Pipeline Replacement Surcharge)

JOINT MOTION TO EXCUSE WITNESSES DUE TO SETTLEMENT

Now comes Duke Energy Kentucky, Inc., (Duke Energy Kentucky or the Company) and the Attorney General of the Commonwealth (Attorney General), (collectively the Parties) and hereby respectfully requests the Kentucky Public Service Commission (Commission) excuse the appearance of certain of the Company's witnesses in this proceeding, in light of the settlement of this case, as set forth in the Stipulation and Recommendation filed on December 18, 2015 (Stipulation). Specifically, the Parties request that the Commission excuse the appearance of Roger A. Morin Ph.D. and Edward A. McGee of Lummus Consultants International, and any other Company witnesses the Commission or Staff do not wish to cross examine at the hearing of this matter, currently scheduled for January 19, 2016.

I. BACKGROUND

On or about July 6, 2015, Duke Energy Kentucky, Inc. filed its application with the Commission, pursuant to KRS 278.020, and 278.509, and 807 KAR 5:001, Sections 14 and 15, for Certificate of Public Convenience and Necessity (CPCN) authorizing the

implementation of an Accelerated Service Line Replacement Program (ASRP), Approval of Ownership of Service Lines, and a Gas Pipeline Replacement Surcharge (Rider ASRP) (Application). In support of its Application, Duke Energy Kentucky submitted the testimony and supplemental testimony of several witnesses, including:

a. Charles R. Whitlock, Senior Vice President of Midwest Delivery and Gas Operations for Duke Energy Kentucky, who discussed the Company's operations and integrity management programs and the need for the project;¹

b. Peggy A. Laub, Director of Rates and Regulatory Planning Ohio/Kentucky, who discussed the ASRP surcharge mechanism, its calculation, annual filings and true-up, as well as the likely rate impact of the surcharge mechanism;²

c. Gary Hebbeler, General Manager Gas Field and System Operations, who discussed the ASRP construction and specifications;³

d. John A. Hill, Jr., Director of Gas Engineering, who discussed the state and federal regulations driving the Company's integrity management programs, how programs are identified and budgeted, how costs are managed, and how the ASRP is consistent with those regulations;⁴

e. Edward A. McGee, with Lummus Consultants International, who discussed the analysis supporting the need for the project⁵ and sponsored Exhibit 4 to the Company's Application, Condition Analysis of Kentucky Service Lines.

f. William Don Wathen Jr., Director of Rates & Regulatory Strategy - Ohio

¹ Application Exhibit 5, filed July 6, 2015.

² Application Exhibit 6, filed July 6, 2015.

³ Application Exhibit 7, filed July 6, 2015.

⁴ Application Exhibit 8, filed July 6, 2015.

⁵ Application Exhibit 9, filed July 6, 2015.

and Kentucky, who discussed the financial condition of the Company;⁶ and

g. Roger A. Morin Ph.D., who presented analysis and discussed the reasonable rate of return for the Company's proposal.⁷

On or about July 7, 2015, the Attorney General filed its motion to intervene, which was subsequently granted by the Commission. The Attorney General and the Staff of the Commission engaged in substantial investigation of the Company's Application by issuing numerous information requests to which the Company has responded. The Attorney General did not file testimony in this proceeding.

The investigation resulted in the Stipulation that was filed on December 18, 2015. The Stipulation represents a full and complete resolution of the matter between the Parties to this proceeding. In support of the Stipulation, Duke Energy Kentucky has filed the direct testimony of Company Witness William Don Wathen Jr. Mr. Wathen will be present at the January 19th hearing to support the Stipulation and respond to any questions the Commission or the Staff may have regarding the settlement terms and conditions.

II. REQUEST TO EXCUSE WITNESSES

The Stipulation resolves all of the issues between the Parties regarding the Company's Application in this proceeding. As part of the Stipulation, the Parties have agreed to waive cross examination of all witnesses except in support of the Stipulation or in the event the Stipulation is not approved by the Commission.⁸ Therefore, the only cross examination that will occur at the January 19th hearing, will be that initiated by the Commission and its Staff. In the interest of efficiency, as well as cost, and time management, the Parties jointly and respectfully request that the Commission excuse certain of the above-identified witnesses from having to appear at the

⁶ Direct Testimony of William Don Wathen Jr., filed August 24, 2015.

⁷ Direct Testimony of Roger A. Morin Ph.D., filed August 24, 2015.

⁸ Stipulation, at pg. 5.

January 19th hearing to the extent their presence is no longer necessary because the Stipulation has resolved any disputed issues set forth in their respective testimonies.

Specifically, the Parties jointly request that Dr. Morin and Mr. McGee be excused from appearing in person at the hearing and that their testimonies be submitted into the record. Both Dr. Morin and Mr. McGee are external consultants who have additional clients other than Duke Energy Kentucky. They are not direct employees of the Company and reside and work outside of the vicinity of the Commonwealth. As a result, their presence at the January 19th hearing would require air travel and likely overnight accommodations that would come at additional costs. In light of the Stipulation, their presence is no longer necessary for the Commission or Staff to evaluate the merits of the Company's ASRP proposal. For example, the Stipulation results in an agreed upon return on equity for the Company's Rider ASRP that is lower than what Dr. Morin supported in his testimony. Similarly, the Stipulation results in the implementation of the ASRP initiative to address the risks and need for action identified in Mr. McGee's testimony. Therefore, the appearance both Dr. Morin and Mr. McGee is no longer necessary as the Stipulation resolves any issues that they would otherwise support under cross examination. As such, both Dr. Morin and Mr. McGee should be excused from having to appear at the January 19th hearing.

The Company is willing to present any other Company witnesses that either the Commission or the Staff wishes to cross examine at the January 19th hearing. However, in the interest of judicial efficiency, as well as cost and time management, the Parties also request that the Commission consider and excuse any other witnesses that neither the Commission nor Staff have a need to cross examine. Such additional witnesses include Messrs. Whitlock, Hebbeler,

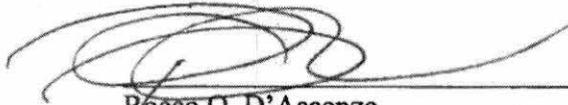
and Hill and Ms. Laub.⁹ Excusing additional witnesses who are not necessary to the Commission's evaluation of the merits of the Stipulation or the Company's proposal will expedite the hearing and reduce the expense of these witnesses traveling and their time away from the office. To the extent that either the Commission or Staff wish to question Messrs. Whitlock, Hebbeler, and Hill or Ms. Laub, regarding the Company's natural gas operations, integrity management programs, the ASRP initiative, or rate calculations, then such witnesses will be made available for cross examination at the hearing. If however, the Commission and Staff do not deem such inquiry necessary, then the Parties request that such witnesses be excused from having to appear.

WHEREFORE, the Parties jointly request the Commission excuse from appearing at the January 19, 2016 hearing, Dr. Roger A. Morin, Mr. Edward McGee and any other Company witnesses that are no longer necessary to the Commission's evaluation of the Company's Application or the Parties' Stipulation.

⁹ Mr. Wathen has submitted testimony in support of the Stipulation and will be present at the hearing.

Respectfully submitted,

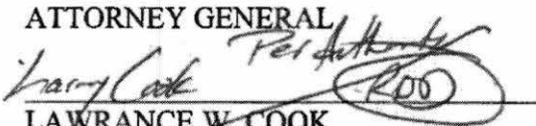
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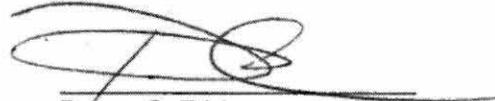


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CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing filing was served on the following via overnight mail, this 8TH day of January, 2016:

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Rocco O. D'Ascenzo

Pre-hearing meeting
Case No. 2015-00210

Duke filed its application for approval of a Certificate of Public Convenience and Necessity to replace approximately 10,000 customer service lines and to move approximately 2,200 indoor meters to locations outside customer premises; to continue assuming ownership of customer service lines as they are replaced, which was originally approved in its 2005 rate case; and to authorize a surcharge mechanism and associated tariff pursuant to KRS 278.509, to be called the Accelerated Service Line Replacement Program ("ASRP").

KRS 278.509 states:

Notwithstanding any other provision of law to the contrary, upon application by a regulated utility, the commission may allow recovery of costs for investment in natural gas pipeline replacement programs which are not recovered in the existing rates of a regulated utility. No recovery shall be allowed unless the costs shall have been deemed by the commission to be fair, just, and reasonable.

Through its proposed program, Duke is targeting customer service lines of a vintage earlier than 1971 that are not cathodically protected, along with those comprised of other, unprotected metallic material. Specifically, where the main-to-curb and curb-to-meter segments of a service line falls under either of these categories, the Company proposes to replace such service lines "in a cost-effective and accelerated manner."

The program is proposed to begin in 2016 and be completed in 2020, at a projected cost of \$50 million (this compares to an estimated \$64 million in 2015 dollars to replace only service lines over a 50-year period pursuant to its current replacement program, which replaces 200 services/year). Duke provided an analysis of the need for accelerated replacement of the service lines, all 10,000 of which are pre-1970s.

The proposed tariff is very similar to the AMRP/PRP tariffs of Columbia, Delta, Atmos and LG&E in the calculation of the ASRP revenue requirement, and the fact that it is based on the return and revenue allocations from Duke's last (2009) gas rate case, which includes a 10.375 percent ROE.

The AG is the only intervenor. Both Duke and the AG requested a hearing. The hearing is currently scheduled for January 13, 2015, although the parties have requested that the hearing be rescheduled to the 15th or 19th, or another date later in the month that is suitable both to the Commission and to Duke witnesses.

On Friday, December 18th Duke and the AG filed a unanimous Stipulation and Recommendation setting out the complete settlement of all issues raised in the proceeding. Pursuant to the terms of the settlement agreement, the parties agree that Duke's application should be approved as originally filed except:

1. There should be an annual \$1.00 cap on Rider ASRP annual rate increases for residential customers. A rider cap is an element of the Duke Ohio Rider ASRP case which is currently pending before the PUCO. The issue of a rate cap was raised by Commission Staff during discovery.

The Year 1 monthly residential customer charge is proposed to be \$.35 per customer per month.

AG
Larry Cook

Duke
D. A. Carzo

Rocco

William
A. Don Wathen, Jr.

John A. Hill

2. Duke agrees to remove relocation of the 2,200 interior meters from the ASRP program, unless the current relocation violates federal or state safety codes. The issue of whether it is appropriate to include interior meter relocation in the ASRP pursuant to KRS 278.509 had been questioned by Staff during discovery.

3. ROE for the ASRP should be 9.7 percent as opposed to the 10.375 percent approved in Duke's last rate case. This rate is to remain in effect until Duke files its next rate proceeding.

The Commission had required Duke to file ROE testimony in this proceeding to support the proposal to use the 10.375 percent ROE rate for purposes of the proposed ASRP investment, considering the fact that Duke's last gas rate case was filed in 2009.

The stipulation also provides that Duke will not file an application for approval of a natural gas base rate increase within one year of the Commission's final Order in this case.

Testimony supporting the settlement was filed by Duke on Monday, December 21, 2015.

The proposed tariff and rates are suspended through January 28, 2016.

Hearing Questions
Case No. 2015-00210

William Don Wathen, Jr.

1. Refer to Wathen Supplemental Testimony supporting the Stipulation in this proceeding at pages 3-4 concerning item 2 of the modifications. The last sentence of item 2 states "Any meter relocations required due to the code violation will be eligible for recovery under the Rider ASRP."
 - a. Explain what type of code violations this refers to.
 - b. Explain why meter relocation is required due to the code violation.
 - c. If a curb to meter service line is determined to be eligible for recovery under the Rider ASRP, does this indicate that a code violation exists?

2. Refer to Wathen Supplemental Testimony supporting the Stipulation in this proceeding at page 6 the following statement is made: "This code violation could come in any number of ways, but the likely example is if the customer has installed a concrete pad or patio over the service line."
 - a. Explain why this instance is a code violation.
 - b. Explain why this referenced code violation would necessitate the relocation of a meter from inside the residence to outside the residence.

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